

PWYLLGOR CRAFFU CYMUNEDAU 14^{eg} O FEDI 2015

Dewisiadau rheoli eraill mewn perthynas â Hamdden

Ystyried y materion canlynol a chyflwyno sylwadau arnynt:

1. Bod Cyngor Sir Caerfyrddin yn llunio partneriaeth â Sefydliad Dosbarthu Dielw (NPDO neu Ymddiriedolaeth) presennol neu hybrid drwy broses caffael gan ddefnyddio deialog cystadleuol, y nodir ei bamedrau allweddol yn y strategaeth caffael o fewn y prif adroddiad, ac a fydd yn ceisio cyflawni arbedion Cyllidebu ar Sail Blaenoriaeth (PBB) 3 blynedd y gwasanaethau, yn unol â'r lefelau fforddiadwyedd a nodir yn yr adroddiad. Ni fyddai'r broses caffael yn cynnwys cyflwyno cais gan NPDO 'mewnol' newydd ei sefydlu.
2. Ar y cychwyn byddai'r bartneriaeth ar gyfer cyfleusterau Chwaraeon a Hamdden (yn cynnwys cyfleusterau Llanelli, Caerfyrddin, Rhydaman, Castellnewydd Emlyn, San Clêr a Llanymddyfri), yn ogystal â'r gwasanaethau Theatrau (Llanelli, Caerfyrddin a Rhydaman), ac yna byddai rhagor o ystyriaeth yn cael ei rhoi i wasanaethau eraill ar ôl i'r contract fod yn weithredol am gyfnod.
3. Os na fyddai diddordeb mewn rhai neu'r cwbl o'r gwasanaethau, yna dylai Cyngor Sir Caerfyrddin fynd ati i sefydlu NPDO newydd er mwyn i'r gwasanaethau gyflawni'r arbedion ariannol.
4. Cynigir bod y tendr yn nodi bod rheidrwydd ar y sefydliad sy'n bartner wneud cais am statws corff a dderbynnir i Gronfa Bensiwn Dyfed, sydd ar gau i weithwyr presennol ar adeg y trosglwyddo.
5. Bod y tendr yn cynnwys rheidrwydd i bennu cost newid Canolfan Hamdden Llanelli am un newydd drwy ddefnyddio model Dylunio, Adeiladu, Gweithredu, a Chynnal a Chadw (DBOM).

Rhesymau:

1. Mae manteision ariannol a gweithredol (o ran arbenigedd a phrofiad o'r farchnad a'r gallu i ysgogi newidiadau'n gyflym) wrth ddewis partneriaeth gydag ymddiriedolaeth sy'n bod eisoes yn hytrach na sefydlu ymddiriedolaeth fewnol, fel y manylir yn y prif adroddiad. Cynigir y byddai'r opsiwn yma yn lleihau costau ac yn gwarchod gwasanaethau anstatudol a fyddai fel arall yn debygol o wynebu gostyngiadau sylweddol o ran maint wrth i gyllid llywodraeth ganolog leihau.

2. Mae'r cynigion yn seiliedig ar arfarniad manwl o'r dewisiadau, sydd wedi ystyried yr holl ddewisiadau posibl. Mae'r holl ddewisiadau hyn yn aros yn agored i'r aelodau eu hystyried gan gynnwys y sefyllfa bresennol. Fodd bynnag, argymhellir cael partner cyflenwi arall ar gyfer cyflenwi gwasanaethau Chwaraeon, Hamdden a Theatr i gychwyn. Mae rhai cyfleusterau hamdden, megis Canolfannau Bowlio Dan Do Dinefwr a Bro Myrddin, yn y broses o drosglwyddo i'r sector gwirfoddol, ac mae Pwll Nofio Castellnewydd Emlyn yn cael ei weithredu'n barod drwy drefniant ariannu allanol.
3. Byddai'n dal yn werth ystyried manteision gweithredu drwy ymddiriedolaeth ar gyfer ymddiriedolaeth fewnol, os byddai ond ychydig o ddiddordeb neu fudd yn deillio o'r broses dendro gychwynol lle bwriedir ystyried ceisiadau allanol yn unig. Mae hyn yn annhebygol, o ystyried y diddordeb a gafwyd yn sgil profi'r farchnad feddal a wnaed er mwyn asesu'r diddordeb gan bartneriaid posibl.
4. Sicrhau'r telerau gorau posibl i unrhyw staff sy'n trosglwyddo i endid newydd drwy TUPE (Rheoliadau Trosglwyddo Ymgymeriadau – Diogelu Cyflogaeth).
5. Mae'r angen i newid Canolfan Hamdden Llanelli am un newydd yn cael ei gydnabod fel rhan o gynlluniau strategol rheoli asedau'r Awdurdod.
6. Llunio safbwyntiau i'w cyflwyno i'r Bwrdd Gweithredol eu hystyried.

Angen cyfeirio'r mater at y Bwrdd Gweithredol / Cyngor Sir er mwyn gwneud penderfyniad: OES

**Bwrdd Gweithredol – 28ain o Fedi 2015
Cyngor Sir – I'w gadarnhau**

Aelod y Bwrdd Gweithredol sy'n gyfrifol am y Portffolio:
Cyng. Meryl Gravell (Adfywio ac Hamdden)

<p>Y Gyfarwyddiaeth: Cymunedau</p> <p>Enw Pennaeth y Gwasanaeth: Ian Jones</p> <p>Awdur yr adroddiad: Ian Jones</p>	<p>Swyddi:</p> <p>Pennaeth Chwaraeon ac Hamdden</p>	<p>Rhifau Ffôn / Cyfeiriadau E-bost:</p> <p>01267 228309 jjones@sirgar.gov.uk</p>
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EXECUTIVE SUMMARY

COMMUNITY SCRUTINY COMMITTEE 14th SEPTEMBER 2015

Alternative management options for Leisure

1. Introduction & Background

- 1.1 Back in 2013, as part of the Authority's work in examining more efficient ways of delivering services, officers were asked to undertake a review of alternative management options for the leisure portfolio.
- 1.2 Due to the complexity of the process, it was necessary to bring specialist expertise to the Council to assist with this work; RPT Consulting were appointed in November 2013 to:
- Review all potential management options for the leisure and cultural facilities portfolio
 - Identify potential operational and capital enhancements
 - Review the potential delivery and funding solutions for a new or re-furbished Llanelli Leisure Centre (LLC)
 - Assess the financial, legal, people and risk issues involved with each of the potential management options
 - Recommend preferred options, solutions and timescales for members consideration
- 1.3 An initial options paper was subsequently presented to Executive Board Members and further work was undertaken to examine options around:
- A new Not for Profit Distributing Organisation (NPDO) or Trust to operate some or all of the services, or
 - A partnering arrangement with an existing NPDO to deliver services
- 1.3.1 Soft Market Testing was undertaken to establish interest from the market in terms of running the range of services within the Leisure portfolio. Eleven expressions of interest were returned, five of which were interested in the whole of the Leisure portfolio. Potential partners were keen to explore capital investment opportunities in the portfolio and were generally looking for 10-20 year contract agreements.
- 1.3.2 The main interest, however, was around the Sports & Leisure, and Theatre services (main income generating services, with large buildings).

1.3.3 In terms of the 2 options of setting up an in-house trust or partnering with an existing trust, it was felt that there were both financial and operational (in terms of existing expertise, market experience and ability to effect change quickly) advantages in opting for a partnership with an existing trust, as detailed within the main report.

2. Policy Context

- 2.1 Any alternative delivery model would need to assure members that services will be aligned to deliver on the corporate objectives of the authority, and able to deliver efficiency targets in line with the Council's mid-term financial strategy (MTFS or PBB targets).
- 2.2 As such any contractual agreement would be based on an agreed outcomes based tender framework.

3. Existing Budget & PBB targets for Leisure

Table 1 – Current Budget (excluding Archives, and Outdoor Education, but including notional R&M allocation of £320k)

£'000's	2014/15	2015/16	2016/17	2017/18
Net Controllable Cost	7,294	7,002	6,645	6,342
Total Cost of Service	11,288	10,818	10,461	10,159
Related PBB Savings	N/A	-469	-357	-303

- 3.1 As can be seen the PBB target for the services covered above over the next 3 years is £1.129 million, taking into account additional costs such as increments and asset rental charges.
- 3.2 Of these savings, over £300k has been identified in 2017/18 to be delivered through alternative delivery models for the service. Thus if the Council decide not to progress with an alternative delivery model, consideration will have to be given to alternative means of delivering these significant savings, which may include reductions in services or closures.
- ## 4. Initial scope of potential partnership with an NPDO or Trust
- 4.1 Taking into account the response from the soft market testing, the key services which are recommended to be transferred would be Sport and Leisure and Theatres. Consideration may be given to other services if this proves successful.
- 4.2 The Sport & Leisure and Theatre services account for the majority of the financial savings and also have the opportunity to operate in the most commercial way, with the levels of income generated.

4.3 The financial savings which are estimated from tax benefits (i.e. by simply transferring Sport & Leisure facilities and Theatres to a trust) are circa £191,000 pa with additional savings likely through operational and commercial improvements, and also through the potential redevelopment of Llanelli Leisure Centre (LLC).

5. Affordability Level

5.1 Typically if a Council seeks to procure an alternative management partner then they will set an affordability level, which they will present to the market so that expectations can be set on the level of future bids that would be received to deliver on the expected savings.

5.2 It is proposed that Carmarthenshire County Council sets an affordability limit for any future procurement which is set to deliver the savings within the 3 year PBB period and then an efficiency saving beyond this period.

5.3 Typically the affordability limit would be set for the management fee required as opposed to the overall Council budget. In this case it is assumed the management fee would include the following costs

- Net Controllable Budget for Carmarthenshire County Council
- Notionally allocated Revenue Maintenance Costs

5.4 These areas would effectively be the areas transferred to the partner, with the Council retaining the support services charge and also the capital charges. Thus the affordability levels would be as follows

Table 2 – Future Affordability Levels

Complete Service

£'000's	2016/17	2017/18	Annual Average		Total
			Years 3 - 10	Years 3 - 20	
10 Year Contract	6,645	6,342	6,063		61,493
20 Year Contract	6,645	6,342		5,772	116,890

Sport & Leisure plus Theatres

£'000's	2016/17	2017/18	Annual Average		Total
			Years 3 - 10	Years 3 - 20	
10 Year Contract	2,627	2,306	2,205		22,571
20 Year Contract	2,627	2,306		2,099	42,714

- 5.5 In addition to this there is the potential to include an affordability level for Llanelli Leisure Centre, through the identification of a capital level and current revenue cost which bidders must deliver on. An example of this would be
- The Council could identify say £9m of capital
 - Further capital will be made available through prudential borrowing if the costs of the borrowing can be funded through revenue savings (estimated at £411k) on the existing cost of running LLC i.e. the annual revenue saving releasing around an extra £7m of capital.
- 5.6 In this way the Council can seek to get the best commercial offer for the redevelopment of LLC, which is likely to cost in excess of £16m.
- 5.7 In addition to these affordability levels there would be set up costs of circa £50,000 for the year 2015/16.
- 5.8 Typically in the market we would expect the affordability level to be the maximum and the market in general tends to be significantly less than the affordability level, with examples of up to £500,000 per annum lower than the affordability level being achieved.
- 5.9 Further central re-charge savings should also be realised, however, this is a matter for internal corporate consideration, with recommended savings of at least 20% suggested within the detail of this report.

6. Scrutiny Committee are requested to recommend to Executive Board – Key Recommendations/Way Forward

- 1. It is recommended that Carmarthenshire County Council seeks to enter into a partnership with an existing or hybrid Not for Profit Distributing Organisation (NPDO or Trust) through a procurement process using competitive dialogue, which has the key parameters set out in the procurement strategy within the main report, and which will seek to deliver the relevant services' 3 year PBB savings, in line with the affordability levels set out in the report. The procurement process would not include a bid submission from a newly established 'internal' NPDO.*
- 2. The initial scope of the partnership would be for Sports and Leisure services (from Llanelli, Carmarthen, Ammanford, Newcastle Emlyn and St. Clears Leisure Centres; Llandovery Pool; and Coedcae / Gwendraeth Sports Centres), plus Theatres services (from Y Ffwrnes, Lyric and Ammanford Miners Welfare theatres), with further consideration given to other services once the contract has been operational for a period of time.*
- 3. If there is no interest in some or all of the services, Carmarthenshire County Council should then seek to establish a new NPDO for the services to deliver the financial savings.*

4. *It is proposed that the tender specifies that the partner organisation has to apply for admitted body status to the Dyfed Pension Fund, closed to existing employees at the point of transfer.*

5. *The tender includes a requirement to cost for the replacement of Llanelli Leisure Centre through a Design, Build, Operate, and Maintain model (DBOM)*

6.1 If this recommendation is agreed then the future procurement strategy has been developed to achieve the key outcomes, with a new partner in place for July 2016 at the earliest.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Ian Jones Head of Leisure & Sport

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	YES	YES	YES	YES

1. Policy, Crime & Disorder and Equalities – Services delivered by means of alternative management model would be required to conform with the Authority’s equalities policies, with the funding ‘contract’ aligned to deliver on corporate outcomes consistent with the Authority’s strategic aims and objectives.

An initial equalities impact assessment has been undertaken, however, this would need to be updated and developed as the project moves forward, if members are minded to support the recommendation within this report.

2. Legal – In the event of the Authority deciding to transfer its leisure service to an NPDO or Trust a procurement process will need to be followed, and once a provider has been chosen a raft of legal agreements and documents will be needed. Other issues to be considered at that time will include staff transfers and asset transfers related issues.

3. Finance – Potential savings are identified as follows, however, true costs / savings will only be known through formal market testing:

- Annual saving of £191k by transferring Sport, Leisure and Theatre Services to an existing or Hybrid NPDO (potentially £380k if the whole of Leisure were outsourced), which is based on £343k of NNDR relief off set by additional costs of £13k for VAT and £140k for additional support services costs
- £50k one-off set up cost in 2015/16 (£25k of which is already budgeted for)
- Delivery of current 3 year service specific PBBs and an assumption of further 1% efficiencies year on year thereafter (Officers / Members may wish to alter / increase the 1% figure in light of likely ongoing PBB targets)
- Potential tender price savings of £500k below affordability threshold on services on a scale similar to Carmarthenshire County Council’s Leisure Division
- Potential for capital to be made available through prudential borrowing for a new Llanelli Leisure Centre, based on further revenue savings on the existing running costs of the Llanelli Leisure Centre
- Any future management fee agreed through a new arrangement would be linked to an indexation, which is typically CPI
- There is also the need to secure a performance bond for pension liabilities

4. ICT – In the event of the Authority deciding to transfer its leisure service to an NPDO or Trust a procurement process will need to be followed, and once a provider has been chosen a raft of legal agreements and documents will be needed. Other issues to be considered at that time will include IT asset transfers related issues.

5. Risk Management Issues – Should the Authority decide to transfer its Leisure Service to an NPDO or Trust, Risk Management issues relating to this proposal will be included as part of the procurement process

6. Physical Assets – In the event of the Authority deciding to transfer its leisure service to an NPDO or Trust a procurement process will need to be followed, and once a provider has been chosen a raft of asset-related agreements and documents will be needed which will include defining responsibilities for maintaining any building and grounds transferred.

7. Staffing Implications – HR issues relating to this proposal have been considered and are outlined in the main report. It is proposed that any tender specifies that the partner organisation has to apply for admitted body status to the Dyfed Pension Fund. Consideration needs to be given to whether the Welsh Government's Code of Practice on Workforce Matters (2014) will be applicable, which we are advised by Leading Counsel, has statutory effect.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Ian Jones Head of Leisure & Sport

1. Local Member(s) – N/A

2. Community / Town Council – N/A

3. Relevant Partners – N/A

4. Staff Side Representatives and other Organisations – An internal project team has been meeting to oversee this project. The following Divisions have been represented: Legal; Finance; HR; Risk; Policy; Corporate Property; Property Maintenance; H&S; & IT

Staff have been involved in discussions at workshops considering future management options for Leisure. This was initially undertaken at the Leisure staff conference, held on the 16th September 2014. A further update was provided at the staff conference on the 2nd June 2015.

Initial discussions have been held with Trade unions at a DMT / ERG group meeting on the 23rd February 2015, and a further meeting on the 15th July 2015. Detailed discussions have yet to be held, pending members' decision on a way forward.

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THESE ARE DETAILED BELOW:

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Appendix A – Report on the work to date as of May 2014 (Background information)	C/O Head of Leisure & Sport, Parc Myrddin, Carmarthen